

Message Text

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60

ACTION ARA-10

INFO OCT-01 ISO-00 NSA-01 CIAE-00 DODE-00 PM-03 H-01

INR-05 L-02 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-04 FRB-01 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-01 SIL-01 OMB-01 FEA-01 INT-05

AGR-05 SWF-01 /085 W

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R 132211Z NOV 74

FM AMEMBASSY QUITO

TO SECSTATE WASHDC 3339

INFO AMCONSUL GUAYAQUIL

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E.O. 11652: N/A

TAGS: ECON, EFIN, EC

SUBJECT: EXPECTED CONTRACTION OF GOE EXPENDITURES FOR LAST QUARTER
1974

1. IN PRESS CONFERENCE NOVEMBER 11, MINFIN JAIME MONCAYO
CONFIRMED THAT PUBLIC SPENDING IN THE LAST QUARTER OF 1974
WILL BE CURTAILED DUE TO "UNFORESEEN CIRCUMSTANCES" SUCH AS
DAMAGE TO THE PETROLEUM PIPELINE LAST JULY, FLUCTUATIONS IN
THE PETROLEUM MARKET AND REDUCTIONS IN PETROLEUM PRODUCTION,
AND THE CONTINUATION OF GOVERNMENT SUBSIDIES FOR THE IMPORTA-
TION OF WHEAT AND COOKING OIL. ONE RESULT HAS BEEN A DECREASE
IN PETROLEUM EXPORTS FROM A HIGH IN MAY OF THIS YEAR OF APPROX-
IMATELY 7 MILLION BARRELS TO APPROXIMATELY 3.2 MILLION BARRELS
IN OCTOBER. CENTRAL GOVERNMENT GENERAL REVENUES FROM PETROLEUM
HAVE ALSO FALLEN OFF FROM 1028 MILLION SUCRES (APPROXIMATELY
\$41.1 MILLION) AND 1181 MILLION SUCRES (APPROXIMATELY \$47.2
MILLION) IN THE FIRST AND SECOND QUARTERS RESPECTIVELY TO 721
MILLION SUCRES (APPROXIMATELY \$28.8 MILLION) IN THE THIRD QUARTER.
PETROLEUM REVENUES EARMARKED FOR THE NATIONAL DEVELOPMENT FUND
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AND OTHER ENTITIES HAVE DECLINED CORRESPONDINGLY.

INTERNATIONAL MONETARY RESERVES HAVE DECLINED FROM AN ALL-TIME HIGH OF 9.5 BILLION SUCRES (APPROXIMATELY \$380 MILLION) AS OF MAY 31 TO (.4 BILLION SUCRES (\$336 MILLION) AS OF OCTOBER 4.

2. MONCAYO STATED THAT THE GOVERNMENT HAD BEEN STUDYING THE BUDGET AND TAKING MEASURES (HE DID NOT ELABORATE WHAT THESE MEASURES HAD BEEN) TO ALLEVIATE THE SITUATION SEVERAL MONTHS AGO BUT THAT IT WAS POSSIBLE THE CALENDAR YEAR MIGHT END WITH A SMALL DEFICIT. HE REJECTED CRITICISMS OF THE INCREASE IN PUBLIC SPENDING (7855 MILLION SUCRES OR ABOUT \$314 MILLION, FOR THE FIRST NINE MONTHS OF THIS YEAR, AN INCREASE OF APPROXIMATELY 40 PERCENT AS COMPARED TO THE SAME PERIOD FOR 1973), SAYING THAT FOR THE FIRST TIME IN ECUADOREAN HISTORY IT WAS BEING EFFECTIVELY UTILIZED TO REDISTRIBUTE THE NATION'S WEALTH AND INCOME. THIS, HE STATED, WAS BEING ACHIEVED BY CHANNELING PETROLEUM REVENUES INTO THE GOVERNMENT FOR NATIONAL DEVELOPMENT PROGRAMS RATHER THAN INTO THE PRIVATE SECTOR.
BREWSTER

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